

MANY YOUNG FAMILIES IN UTAH ARE STRUGGLING TO MAKE ENDS MEET. As a result of economic pressures and other social trends, the number of Utah women employed outside the home has risen above the national average. In 2005, 59% of Utah mothers with preschool age children, and 74% of mothers with school-age children worked outside the home.

Utah is first in the nation in family size, and 47th in per capita income. Your employees—many of whom are working parents of young children—must find child care they can afford in order to work.

Often parents with the lowest incomes end up paying the highest portion of their income on child care. The U.S. Census Bureau reports:

“Low-income families on average spend more than 20 percent of their income on child care, compared with less than 5 percent among families in the highest income bracket. Families with incomes below the poverty line spend an even larger portion of their income on child care—27 percent.”

From Who’s Minding the Kids? Child Care Arrangements

Good Child Care is Expensive

As an employer, you may not be aware of the difficulty employees face in meeting the cost of care. Because of that, child care affordability can be called an “invisible” issue. If you are unaware of the problem, several things may be happening:

- Parents of limited means make do with child care that they can afford—it may be unlicensed, it may be care of lesser quality, and it may be an informal arrangement with frequent disruptions. You only witness the *outcome* of this choice of care—frequent absenteeism because of child care problems, tardiness or decreased productivity.
- Parents who cannot afford child care simply do not enter or return to the work force. These are potential workers who don’t apply for a job; applicants who don’t take the position you offer; and employees who plan to return after maternity leave, but then “change their minds.”

What Are the Options?

Financial assistance programs give working parents more money to spend on child care that they find, select and oversee. When financial assistance is provided at the workplace, employees report higher morale, increased loyalty, and positive feelings about working for an employer that tries to help.

These programs increase a parent's spending power, either by reducing their out-of-pocket cost for child care, through a **Child Care Tuition Assistance Program**, by allowing them to set aside pre-tax dollars toward child care costs through a **Dependent Care Assistance Plan (DCAP)**, or by giving them the ability to choose the benefits that will work best for them through a **Flexible Benefits Program**.

Providing information about the **Dependent Care Tax Credit** is another way for employers to get involved.

In surveys of working parents, the cost of child care is often reported as the number one problem employees face when trying to balance work and family.

Child Care Tuition Assistance Program

A child care tuition assistance plan, sometimes called a child care "voucher" or "subsidy" program, reduces an employee's out-of-pocket expenses for child care. Typically, an employer contributes a certain dollar amount towards child care costs on a monthly basis. Reimbursement can be given either directly to the employee or to the child care provider. Eligibility for this type of program is often limited to certain income groups or ages of children in order to control costs. In addition, a maximum amount to be contributed by the employer is established. If it is provided as an option under an approved Dependent Care Assistance Program (DCAP) plan, there are tax benefits for the employee. However, even in cases where the benefits are taxable to the employee, it is still a cost-savings to the family.

Dependent Care Assistance Plan (DCAP)

A DCAP, also known as a flexible spending account, allows employees to set aside up to \$5000 in pre-tax dollars to cover costs for dependent care such as child care. This form of salary reduction most often benefits employees in middle to upper income ranges. Employees in lower income ranges often cannot afford to set aside any income and generally receive a larger benefit from using the Federal Dependent Care Tax Credit.

Employees cannot use both a DCAP and the Federal Dependent Care Tax Credit in the same tax year.

Educating Employees about the Dependent Care Tax Credit

Although both the Dependent Care Tax Credit and the Earned Income Credit can provide cash back in the form of a tax refund, many eligible families do not claim the credits, because they don't know about them. One simple way to help is to provide information about the credits at the workplace. Provide easy-to-understand information about how to use the credits, and possibly even assistance with filling out tax forms.

Flexible Benefits Program

A flexible benefits plan allows employees to tailor their benefits package to meet their own needs. Comprehensive flexible benefits include a core set of benefits such as medical, disability and retirement. Employees are then given flexible credits based on their salary and seniority. They use these credits to purchase additional benefits.

It also allows employees to select benefits that meet their individual needs, rather than having to work with a standardized package designed for the employee population as a whole.

Why Provide Financial Assistance?

A program that combines a DCAP, flexible benefits and child care tuition assistance is an excellent way to provide a benefit to a large number of employees with diverse incomes and needs.

Often, even a small amount of assistance can have a very positive effect. Parents who previously could not afford child care might be able to return to work; part-time workers may be able to afford full-time care; and parents who have unreliable care might be able to choose a more dependable and responsive arrangement, thereby increasing their comfort level and satisfaction with their child care.

Some employers have found that providing assistance with the cost of infant care makes workers more likely to return after maternity leave.

A flexible benefits plan increases the perceived benefit to employees, because they are able to work cooperatively with their employer, and to maintain a level of control over their personal finances. It can help increase an employees' spending power because they may

Parents who have good, reliable child care are more effective workers. They are less likely to be distracted during the workday, more likely to report feeling satisfied with their job situation, and less likely to need time off to search for new care arrangements.

be able to select benefits that they might previously have paid for out-of-pocket.
How Complicated is Development of Financial Assistance?

Financial assistance can be relatively easy to administer. Most employers already have a payroll or human resources department equipped to handle day-to-day operations for the program.

If you are already providing dependent care resource and referral, the resource and referral agency that provides this service can often administer your financial assistance program. This is an ideal partnership, because the child care specialists who provide enhanced counseling and referral to your employees would be able to assist with the tuition assistance process as well.

Employers like financial assistance programs because responsibility for choosing child care and monitoring its quality remains squarely with the parent.

As you consider a financial assistance program, it is helpful to collect targeted information about your workforce and the cost of child care in your area. Use either anecdotal reports or more formal methods of information gathering. At a minimum it is helpful to know:

- The number of employees with young children
- Approximate family incomes of those employees
- The number of employees using child care
- The cost of child care in your area
- What parents in your workforce are paying for child care
- General attitudes about child care costs among your workers

Providing financial assistance allows employees to choose their own child care, regardless of location and schedule, so it can work well in either a single site or multi-site organization.

As an employer, you can control costs by tailoring the scope of your program to meet both employee needs and your bottom line. The cost for start-up and implementation are comparable to that of any new benefit program.

What Does a Child Care Tuition Assistance Program Look Like?

Each employer is different, and every tuition assistance program will reflect the individual needs it has been designed to meet. The following list highlights some of the factors to consider when designing a customized program. Issues of eligibility, the amount of the assistance, and budget and administration will vary according to your resources and employee needs. It is helpful to consult other employers who have implemented similar programs, and to ask a consultant or child care resource and referral agency for help.

Eligibility Issues:

- Are both full time and part time workers eligible?
- Define the employee status of eligible workers.
- Which types of care are eligible—legal, licensed, in-home, care by relatives—or all of them?
- What documentation is needed from the employee and from the child care provider?
- What ages of children are eligible for the assistance?
- How many children from one family can enroll?
- What income level will be used to determine eligibility (family income or individual employee's income)?

Policies:

- How is acceptance into program handled—first come, first served—or is it based on need?
- Can employees use program if they are on vacation or maternity leave, etc.?
- Is there a limit to the subsidy amount an individual employee can receive in one year?
- Is there a maximum percentage of child care costs that program will cover?
- Is there a minimum amount that employees must pay for their children's care?
- What happens if the program expenses exceed projections?

Administration:

- How do employees get reimbursed?
- Is the check made out to the child care provider or to the employee?
- Is the tuition subsidy provided in advance, or as a reimbursement?
- How will employees be informed about the program?
- Are program policies written clearly, and available to all?

- Do employees feel comfortable asking about and enrolling in the program?
- Is all information handled discreetly and confidentially?
- Do all employees know about and understand the program?

Objectives:

- What are the goals of your child care tuition assistance program?
 - to help as many employees as possible?
 - to help those with lowest income/highest need?
 - to provide incentives for valued employees to stay?
 - to help all employees find dependable care of higher quality?
 - other?